

CITY OF WINFIELD

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020

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City of Winfield

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Finnell	Mayor	Dec 2019
Jennifer Wade	Council Member	Dec 2021
Richard Lauderdale	Council Member	Dec 2021
Tom Rodruck	Council Member	Dec 2019
Ryan Kinneberg	Council Member	Dec 2021
Janet Reynolds	Council Member	Dec 2019
Angie Oepping	City Clerk	Indefinite
Klay Edwards	Treasurer	Indefinite
Aspelmeier, Fisch, Power, Engberg & Helling, P.L.C.	City Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Willie Bender	Mayor	Dec 2023
Jennifer Wade	Council Member	Dec 2021
Richard Lauderdale	Council Member	Dec 2021
Tom Rodruck	Council Member	Dec 2023
Ryan Kinneberg	Council Member	Dec 2021
Janet Reynolds	Council Member	Dec 2023
Angie Oepping	City Clerk	Indefinite
Klay Edwards	Treasurer	Indefinite
Aspelmeier, Fisch, Power, Engberg & Helling, P.L.C	City Attorney	Indefinite

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

I performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Winfield for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Winfield's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I observed surety bond coverage or insurance for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I observed the City's fiscal year 2019 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments other than certificates of deposit.
8. I scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. I scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I traced selected receipts to accurate accounting and consistency with the recommended COA.
13. The City has no voter approved levies.
14. I traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
15. I traced transfers between funds to proper authorization and accurate accounting and determined whether proper.
16. I traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether proper.
17. I observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various findings and recommendations for the City. My findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Winfield during the course of the agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, I would be pleased to discuss them with you at your convenience.

Ted M. Wiegand, CPA

March 25, 2021

City of Winfield

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Long-term debt – maintaining long-term debt records and performing cash functions.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Financial reporting – preparing and reconciling.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires a summary of all receipts be included with the publication of the meeting minutes. Minutes for meetings from July 2019 through January 2020 did not include a summary of receipts.

Since approximately February 1, 2020, the Clerk has properly published a summary of receipts each month in response to recommendations in my previous report.

Recommendation – The City should continue to publish a summary of receipts monthly.

- (C) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Winfield

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (D) Bank Reconciliations – Reconciling items include a total of \$5,545.17 of old outstanding items from several years ago that need to be written off, reducing the Clerk’s cash balance by this amount.

Recommendation – The City should write off the \$5,545.17 of old outstanding items from several years ago. When filing the Annual Financial Report for fiscal year 2021, the Clerk can make this correction by re-stating beginning balances down by this amount.

- (E) Annual Financial Report (AFR) – The Clerk properly reported the City’s new general obligation debt amount for the construction of the swimming pool of \$400,000 in part V of the AFR to the State, however, the \$400,000 should have also been listed in the “issued” column in part V of the AFR to reconcile the previous year’s zero balance to the current year’s \$400,000 balance.

Recommendation – Before submitting the AFR in future years, the Clerk should ensure that the difference between debt outstanding totals of the previous year can be reconciled to debt outstanding totals at the end of the current year by way of issuances and retirements in part V of the AFR.

- (F) Financial Condition – As of June 30, 2020, the Water fund had a deficit fund balance of \$50,188.50 and the Sewer fund had a deficit fund balance of \$27,628.65. The City’s aggregate fund balance for all funds is a positive \$446,871.35.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

- (G) Inter-Fund Transfer Resolutions – Cities are required to approve all inter-fund transfers by a council resolution as of April 17, 2019. The City executed inter-fund transfers from July 2019 through February 2020 without passing approved inter-fund transfer resolutions as required.

Recommendation – The City should continue to comply by passing resolutions for all inter-fund transfers that include relevant information about the amount of the transfer, which City funds are involved, and the reasons for the transfer.

- (H) Fund Transfers from Enterprise Funds – Iowa Administrative Code (IAC) section 542.2.5(5) defines the limit (or “surplus”) that can be transferred from a City’s enterprise fund to another City fund. A surplus is defined, in part, as “the amount of expenses or disbursements for operating and maintaining the utility or enterprise for the preceding three months and the amount necessary to make all required transfers to restricted accounts for the succeeding three months.”

A transfer of \$20,000 was made from the Sewer fund to the Capital Projects fund on May 7, 2020 for construction of the swimming pool. I calculated the Sewer fund had no “surplus” as defined by IAC 542.2.5(5) as the expenses of the preceding three months exceeded the current cash balance of the Sewer fund. Therefore, the \$20,000 transfer was not allowable according to IAC 542.5(5).

Transfers totaling \$596,136.69 were made from the Gas fund to the Capital Projects fund during May 2020 for construction of the swimming pool. I calculated the Gas fund had a

City of Winfield

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

“surplus” of \$576,566 at the time, and therefore the transfers that were made exceeded the allowable amount according to IAC 542.5(5) by \$19,571.

Recommendation – The City should consult the State Auditor’s office, the State Department of Management, and/or the City’s legal counsel regarding these violations of the IAC to determine whether remedial action is necessary.